



**REPORT OF THE AUDITOR OF PUBLIC ACCOUNTS
AUDIT EXAMINATION OF THE
MUHLENBERG COUNTY
SHERIFF'S SETTLEMENT - 1999 TAXES
July 21, 2000**

**SHERIFF'S SETTLEMENT - 1998 UNMINED COAL TAXES
February 25, 2000**

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EXECUTIVE SUMMARY
MUHLENBERG COUNTY
JERRY D. MAYHUGH, SHERIFF
SHERIFF'S SETTLEMENT - 1999 TAXES AND
1998 UNMINED COAL TAXES

Audit Results:

We have issued an unqualified opinion in our independent auditor's report and no comments or recommendations were disclosed.

Financial Statements:

For the 1999 tax year the Sheriff collected taxes totaling \$6,525,711. The financial statements reflect that \$6 is due the county, \$16 is due the special taxing districts, and \$4 is due to the state. The Sheriff is due a refund of \$155 from the school district. The Sheriff's office earned commissions of \$268,454 for the collection of these taxes.

Notes To Financial Statements:

Interest Income-

The Muhlenberg County Sheriff earned \$4,967 as interest income on 1999 taxes. The Sheriff distributed the appropriate amount to the school district as required by statute, and the remainder will be used to operate the Sheriff's office.

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Edward B. Hatchett, Jr.
Auditor of Public Accounts

To the People of Kentucky
Honorable Paul E. Patton, Governor
Kevin Flanery, Secretary
Finance and Administration Cabinet
Mike Haydon, Secretary, Revenue Cabinet
Honorable Rodney Keith Kirtley, Muhlenberg County Judge/Executive
Honorable Jerry D. Mayhugh, Muhlenberg County Sheriff
Members of the Muhlenberg County Fiscal Court

Independent Auditor's Report

We have audited the Muhlenberg County Sheriff's Settlement - 1999 Taxes as of July 21, 2000 and the Sheriff's Settlement - 1998 Unmined Coal Taxes as of February 25, 2000. These tax settlements are the responsibility of the Muhlenberg County Sheriff. Our responsibility is to express an opinion on the financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards, Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Sheriff's Tax Settlements issued by the Auditor of Public Accounts, Commonwealth of Kentucky. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The Sheriff prepares his financial statements on a prescribed basis of accounting that demonstrates compliance with the cash basis and laws of Kentucky, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the Muhlenberg County Sheriff's taxes charged, credited, and paid as of July 21, 2000 and February 25, 2000, in conformity with the basis of accounting described in the preceding paragraph.

To the People of Kentucky

Honorable Paul E. Patton, Governor

Kevin Flanery, Secretary

Finance and Administration Cabinet

Mike Haydon, Secretary, Revenue Cabinet

Honorable Rodney Keith Kirtley, Muhlenberg County Judge/Executive

Honorable Jerry D. Mayhugh, Muhlenberg County Sheriff

Members of the Muhlenberg County Fiscal Court

In accordance with Government Auditing Standards, we have also issued a report dated November 21, 2000, on our consideration of the Sheriff's compliance with certain laws and regulations and internal control over financial reporting.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a long horizontal flourish extending to the right.

Edward B. Hatchett, Jr.

Auditor of Public Accounts

Audit fieldwork completed -

November 21, 2000

MUHLENBERG COUNTY
JERRY D. MAYHUGH, SHERIFF
SHERIFF'S SETTLEMENT - 1999 TAXES

July 21, 2000

<u>Charges</u>	<u>County Taxes</u>	<u>Special Taxing Districts</u>	<u>School Taxes</u>	<u>State Taxes</u>
Real Estate	\$ 504,439	\$ 589,815	\$ 2,725,067	\$ 811,489
Tangible Personal Property	80,222	96,833	406,469	256,675
Intangible Personal Property				78,539
Fire Protection	2,101			
Franchise Corporation	136,782	159,621	713,036	
Additional Supplemental Bills	362	398	1,956	820
Limestone, Sand, and Gravel Reserves	93	103	503	150
Bank Franchise Taxes	72,664			
Penalties	5,392	6,107	29,045	9,077
Adjusted to Sheriff's Receipt	160	351	1,127	(382)
Gross Chargeable to Sheriff	<u>\$ 802,215</u>	<u>\$ 853,228</u>	<u>\$ 3,877,203</u>	<u>\$ 1,156,368</u>
<u>Credits</u>				
Discounts	\$ 9,680	\$ 9,703	\$ 43,767	\$ 16,771
Exonerations	7,041	8,306	37,927	12,209
Delinquents:				
Real Estate	17,924	20,184	96,517	28,802
Tangible Personal Property	350	423	2,165	1,464
Intangible Personal Property				377
Uncollected Franchise	4	5	19	
Total Credits	<u>\$ 34,999</u>	<u>\$ 38,621</u>	<u>\$ 180,395</u>	<u>\$ 59,623</u>
Net Tax Yield	\$ 767,216	\$ 814,607	\$ 3,696,808	\$ 1,096,745
Less: Commissions *	<u>32,894</u>	<u>34,621</u>	<u>147,872</u>	<u>46,899</u>
Net Taxes Due	\$ 734,322	\$ 779,986	\$ 3,548,936	\$ 1,049,846
Taxes Paid	733,315	778,893	3,543,711	1,048,136
Refunds (Current and Prior Year)	<u>1,001</u>	<u>1,077</u>	<u>5,380</u>	<u>1,706</u>
Due Districts or (Refund Due Sheriff)		**		
as of Completion of Fieldwork	<u>\$ 6</u>	<u>\$ 16</u>	<u>\$ (155)</u>	<u>\$ 4</u>

* and ** See Page 4

MUHLENBERG COUNTY
JERRY D. MAYHUGH, SHERIFF
SHERIFF'S SETTLEMENT - 1999 TAXES
July 21, 2000
(Continued)

* Commissions:

10% on	\$	10,000
4.25% on	\$	2,668,568
4% on	\$	3,696,808

** Special Taxing Districts:

Library District	\$	3
Health District		4
Extension District		4
Airport District		4
Soil Conservation District		1
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Due Districts	\$	<u>16</u>
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The accompanying notes are an integral part of the financial statements.

MUHLENBERG COUNTY
JERRY D. MAYHUGH, SHERIFF
SHERIFF'S SETTLEMENT - 1998 UNMINED COAL TAXES

February 25, 2000

<u>Charges</u>	<u>County Taxes</u>	<u>Special Taxing Districts</u>	<u>School Taxes</u>	<u>State Taxes</u>
Sheriff's Official Receipt for Unmined Coal	\$ 17,229	\$ 18,371	\$ 93,073	\$ 28,652
Penalties	7	8	38	12
Gross Chargeable to Sheriff	<u>\$ 17,236</u>	<u>\$ 18,379</u>	<u>\$ 93,111</u>	<u>\$ 28,664</u>
<u>Credits</u>				
Discounts	\$ 319	\$ 341	\$ 1,726	\$ 532
Exonerations	9	10	50	15
Delinquents	444	473	2,398	738
Total Credits	<u>\$ 772</u>	<u>\$ 824</u>	<u>\$ 4,174</u>	<u>\$ 1,285</u>
Net Tax Yield	\$ 16,464	\$ 17,555	\$ 88,937	\$ 27,379
Less: Commissions *	<u>700</u>	<u>746</u>	<u>3,558</u>	<u>1,164</u>
Net Taxes Due	\$ 15,764	\$ 16,809	\$ 85,379	\$ 26,215
Taxes Paid	<u>15,764</u>	<u>16,809</u>	<u>85,379</u>	<u>26,215</u>
Due Districts as of Completion of Fieldwork	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

* Commissions:

4.25% on	\$	61,398
4% on	\$	88,937

The accompanying notes are an integral part of the financial statements.

MUHLENBERG COUNTY
NOTES TO THE FINANCIAL STATEMENTS

July 21, 2000

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

The Sheriff's office tax collection duties are limited to acting as an agent for assessed property owners and taxing districts. A fund is used to account for the collection and distribution of taxes. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

B. Basis of Accounting

The financial statement has been prepared on a cash basis of accounting. Basis of accounting refers to when charges, credits, and taxes paid are reported in the settlement statement. It relates to the timing of measurements regardless of the measurement focus.

Charges are sources of revenue which are recognized in the tax period in which they become available and measurable. Credits are reductions of revenue which are recognized when there is proper authorization. Taxes paid are uses of revenue which are recognized when distributions are made to the taxing districts and others.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the Sheriff's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2. Deposits

The Sheriff maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the Sheriff and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met, as of July 21, 2000, the Sheriff's deposits were fully insured or collateralized at a 100% level with collateral of either pledged securities held by the Sheriff's agent in the Sheriff's name, or provided surety bond which named the Sheriff as beneficiary/obligee on the bond.

MUHLENBERG COUNTY
NOTES TO THE FINANCIAL STATEMENTS
July 21, 2000
(Continued)

Note 3. Property Taxes

The real and personal property tax assessments were levied as of January 1, 1999. Property taxes were billed to finance governmental services for the year ended June 30, 2000. Liens are effective when the tax bills become delinquent. The collection period for these assessments was November 1, 1999 through July 21, 2000.

Unmined Coal Taxes

The tangible property tax assessments were levied as of January 1, 1999. Property taxes are billed to finance governmental services. Liens are effective when the tax bills become delinquent. The collection period for these assessments was July 29, 1999 through February 25, 2000.

Note 4. Interest Income

The Muhlenberg County Sheriff earned \$4,967 as interest income on 1999 taxes. The Sheriff distributed the appropriate amount to the school district as required by statute, and the remainder will be used to operate the Sheriff's office.

Note 5. Unrefundable Duplicate Payments And Unexplained Receipts Should Be Escrowed

The Sheriff should deposit any unrefundable duplicate payments and unexplained receipts in an interest-bearing account. According to KRS 393.110, the Sheriff should properly report annually to the Treasury Department any unclaimed moneys. After seven years, if the funds have not been claimed, the funds should be submitted to the Kentucky State Treasurer. For the 1999 taxes, the Sheriff had \$261 in unexplained receipts. Therefore, the Sheriff should send a written report to the Treasury Department.

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REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENT
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



Edward B. Hatchett, Jr.
Auditor of Public Accounts

Honorable Rodney Keith Kirtley, Muhlenberg County Judge/Executive
Honorable Jerry D. Mayhugh, Muhlenberg County Sheriff
Members of the Muhlenberg County Fiscal Court

Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards

We have audited the Muhlenberg County Sheriff's Settlement - 1999 Taxes as of July 21, 2000, and Sheriff's Settlement - 1998 Unmined Coal Taxes as of February 25, 2000, and have issued our report thereon dated November 21, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws and regulations, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Muhlenberg County Sheriff's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Honorable Rodney Keith Kirtley, Muhlenberg County Judge/Executive
Honorable Jerry D. Mayhugh, Muhlenberg County Sheriff
Members of the Muhlenberg County Fiscal Court
Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards
(Continued)

This report is intended solely for the information and use of management and is not intended to be and should not be used by anyone other than the specified party. However, this report, upon release by the Auditor of Public Accounts, is a matter of public record and its distribution is not limited.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a long horizontal flourish extending to the right.

Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
November 21, 2000

